

MESSAGE
OF THE
PRESIDENT OF THE UNITED STATES
COMMUNICATED TO THE
TWO HOUSES OF CONGRESS
AT THE
BEGINNING OF THE FIRST SESSION OF
THE FIFTY-THIRD CONGRESS.

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MESSAGE.

To the Congress of the United States:

The existence of an alarming and extraordinary business situation, involving the welfare and prosperity of all our people, has constrained me to call together in extra session the people's representatives in Congress, to the end that through a wise and patriotic exercise of the legislative duty with which they solely are charged, present evils may be mitigated and dangers threatening the future may be averted.

Our unfortunate financial plight is not the result of untoward events nor of conditions related to our natural resources; nor is it traceable to any of the afflictions which frequently check national growth and prosperity. With plenteous crops, with abundant promise of remunerative production and manufacture, with unusual invitation to safe investment and with satisfactory assurance to business enterprise, suddenly financial distrust and fear have sprung up on every side. Numerous moneyed institutions have suspended because abundant assets were not immediately available to meet the demands of frightened depositors. Surviving corporations and individuals are content to keep in hand the money they are usually anxious to loan, and those engaged in legitimate business are surprised to find that the securities they offer for loans, though heretofore satisfactory, are no longer accepted. Values supposed to be fixed are fast becoming conjectural, and loss and failure have invaded every branch of business.

I believe these things are principally chargeable to Congressional legislation touching the purchase and coinage of silver by the General Government.

This legislation is embodied in a statute passed on the 14th day of July, 1890, which was the culmination of much agitation on the subject involved, and which may be considered a truce, after a long struggle, between the advocates of free silver coinage and those intending to be more conservative.

Undoubtedly the monthly purchases by the Government of four million and five hundred thousand ounces of silver, enforced under that statute, were regarded by those interested in silver production

as a certain guaranty of its increase in price. The result, however, has been entirely different, for immediately following a spasmodic and slight rise, the price of silver began to fall after the passage of the act and has since reached the lowest point ever known. This disappointing result has led to renewed and persistent effort in the direction of free silver coinage.

Meanwhile, not only are the evil effects of the operation of the present law constantly accumulating but the result to which its execution must inevitably lead is becoming palpable to all who give the least heed to financial subjects.

This law provides that in payment for the four million and five hundred thousand ounces of silver bullion which the Secretary of the Treasury is commanded to purchase monthly, there shall be issued Treasury notes redeemable on demand in gold or silver coin, at the discretion of the Secretary of the Treasury, and that said notes may be reissued. It is, however, declared in the act to be "the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio or such ratio as may be provided by law." This declaration so controls the action of the Secretary of the Treasury as to prevent his exercising the discretion nominally vested in him, if by such action the parity between gold and silver may be disturbed. Manifestly a refusal by the Secretary to pay these Treasury notes in gold, if demanded, would necessarily result in their discredit and depreciation as obligations payable only in silver, and would destroy the parity between the two metals by establishing a discrimination in favor of gold.

Up to the fifteenth day of July, 1893, these notes had been issued in payment of silver bullion purchases, to the amount of more than one hundred and forty-seven millions of dollars. While all but a very small quantity of this bullion remains uncoined and without usefulness in the Treasury, many of the notes given in its purchase have been paid in gold. This is illustrated by the statement that between the first day of May, 1892, and the fifteenth day of July, 1893, the notes of this kind issued in payment for silver bullion, amounted to a little more than fifty-four millions of dollars, and that during the same period about forty-nine millions of dollars were paid by the Treasury in gold for the redemption of such notes.

The policy necessarily adopted of paying these notes in gold has not spared the gold reserve of one hundred millions of dollars long ago set aside by the Government for the redemption of other notes, for this fund has already been subjected to the payment of new obligations amounting to about one hundred and fifty millions of

dollars on account of silver purchases, and has as a consequence, for the first time since its creation, been encroached upon.

We have thus made the depletion of our gold easy, and have tempted other and more appreciative nations to add it to their stock. That the opportunity we have offered has not been neglected, is shown by the large amounts of gold which have been recently drawn from our Treasury and exported to increase the financial strength of foreign nations. The excess of exports of gold over its imports for the year ending June 30, 1893, amounted to more than eighty-seven and a half millions of dollars.

Between the first day of July, 1890, and the fifteenth day of July, 1893, the gold coin and bullion in our Treasury decreased more than one hundred and thirty-two millions of dollars, while during the same period the silver coin and bullion in the Treasury increased more than one hundred and forty-seven millions of dollars. Unless Government bonds are to be constantly issued and sold to replenish our exhausted gold, only to be again exhausted, it is apparent that the operation of the silver purchase law now in force, leads in the direction of the entire substitution of silver for the gold in the Government Treasury, and that this must be followed by the payment of all Government obligations in depreciated silver.

At this stage gold and silver must part company and the Government must fail in its established policy to maintain the two metals on a parity with each other. Given over to the exclusive use of a currency greatly depreciated according to the standard of the commercial world, we could no longer claim a place among nations of the first class, nor could our Government claim a performance of its obligation, so far as such an obligation has been imposed upon it, to provide for the use of the people the best and safest money.

If, as many of its friends claim, silver ought to occupy a larger place in our currency and the currency of the world through general international co-operation and agreement, it is obvious that the United States will not be in a position to gain a hearing in favor of such an arrangement so long as we are willing to continue our attempt to accomplish the result single handed.

The knowledge in business circles among our own people that our Government cannot make its fiat equivalent to intrinsic value, nor keep inferior money on a parity with superior money by its own independent efforts, has resulted in such a lack of confidence at home, in the stability of currency values that capital refuses its aid to new enterprises while millions are actually withdrawn from the channels of trade and commerce to become idle and unproductive in the hands of timid owners. Foreign investors equally alert

not only decline to purchase American securities but make haste to sacrifice those which they already have.

It does not meet the situation to say that apprehension in regard to the future of our finances is groundless and that there is no reason for lack of confidence in the purposes or power of the Government in the premises. The very existence of this apprehension and lack of confidence, however caused, is a menace which ought not for a moment to be disregarded. Possibly if the undertaking we have in hand were the maintenance of a specific known quantity of silver at a parity with gold, our ability to do so might be estimated and gauged, and perhaps in view of our unparalleled growth and resources, might be favorably passed upon. But when our avowed endeavor is to maintain such parity in regard to an amount of silver increasing at the rate of fifty millions of dollars yearly, with no fixed termination to such increase, it can hardly be said that a problem is presented whose solution is free from doubt.

The people of the United States are entitled to a sound and stable currency and to money recognized as such on every exchange and in every market of the world. Their Government has no right to injure them by financial experiments opposed to the policy and practice of other civilized states nor is it justified in permitting an exaggerated and unreasonable reliance on our national strength and ability to jeopardize the soundness of the people's money.

This matter rises above the plane of party politics. It vitally concerns every business and calling and enters every household in the land. There is one important aspect of the subject which especially should never be overlooked. At times like the present, when the evils of unsound finance threaten us, the speculator may anticipate a harvest gathered from the misfortune of others, the capitalist may protect himself by hoarding or may even find profit in the fluctuation of values; but the wage-earner—the first to be injured by a depreciated currency and the last to receive the benefit of its correction—is practically defenseless. He relies for work upon the ventures of confident and contented capital. This failing him, his condition is without alleviation, for he can neither prey on the misfortunes of others, nor hoard his labor. One of the greatest statesmen our country has known, speaking more than fifty years ago when a derangement of the currency had caused commercial distress, said: "The very man of all others who has the deepest interest in a sound currency and who suffers most by mischievous legislation in money matters, is the man who earns his daily bread by his daily toil."

These words are as pertinent now as on the day they were uttered, and ought to impressively remind us that a failure in the discharge

of our duty at this time must especially injure those of our countrymen who labor, and who because of their number and condition are entitled to the most watchful care of their Government.

It is of the utmost importance that such relief as Congress can afford in the existing situation be afforded at once. The maxim "He gives twice who gives quickly," is directly applicable. It may be true that the embarrassments from which the business of the country is suffering arise as much from evils apprehended as from those actually existing. We may hope, too, that calm counsels will prevail and that neither the capitalists nor the wage-earners will give way to unreasoning panic, and sacrifice their property or their interests under the influence of exaggerated fears. Nevertheless, every day's delay in removing one of the plain and principal causes of the present state of things enlarges the mischief already done and increases the responsibility of the Government for its existence. Whatever else the people have a right to expect from Congress they may certainly demand that legislation condemned by the ordeal of three years' disastrous experience shall be removed from the statute books as soon as their representatives can legitimately deal with it.

It was my purpose to summon Congress in special session early in the coming September that we might enter promptly upon the work of tariff reform, which the true interests of the country clearly demand, which so large a majority of the people as shown by their suffrages, desire and expect, and to the accomplishment of which every effort of the present Administration is pledged. But while tariff reform has lost nothing of its immediate and permanent importance, and must in the near future engage the attention of Congress, it has seemed to me that the financial condition of the country should at once and before all other subjects, be considered by your honorable body.

I earnestly recommend the prompt repeal of the provisions of the act passed July 14, 1890, authorizing the purchase of silver bullion, and that other legislative action may put beyond all doubt or mistake the intention and the ability of the Government to fulfill its pecuniary obligations in money universally recognized by all civilized countries.

GROVER CLEVELAND.

EXECUTIVE MANSION,
August 8, 1893.

